ADOPTION OF THE INTERNET AS A GROWTH STRATEGY BY SMALL AND MEDIUM Sized TOUR OPERATORS IN KENYA

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NOVEMBER, 2012
DECLARATION

This research project is my original work and has not been presented for examination in any other university.

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DEDICATION

I dedicate this work to my family and friends for their constant nurturing and whose undivided support gave me strength to carry on in the course of this project.
ABSTRACT

Tourism is one of the six key pillars for growth under Kenya's vision 2030 and hence, this sector may be a primary means of realizing the goal of economic development of undeveloped regions. Small and midsized tour operators have a less dramatic influence on tourism volumes, but can still significantly affect the path of development by putting a new area or type of product on the map. It is vital for them to remain competitive and the use of internet and communication technology has been found to improve business competitiveness with the internet providing the opportunities for SMEs to compete on equal terms with larger organization. In spite of the internet's potential, most of the small and medium sized tour operators do not view the internet as key to their business strategy for growth. The aim of this study was to investigate how small and medium sized tour operators are using the internet in the strategies they adopt for growth. This study focused on the list of membership of tour operators from KATO. KATO has grouped its members into six major categories, (A to E and associates) depending on the gross annual turnover. A sample was drawn from each category and based on this a sample size of 100 tour companies was selected. A self-administered open and closed ended questionnaire was utilized in collecting primary data from the field. A total of 77 usable questionnaires were obtained. Both descriptive and inferential analyses were carried out. The study found out that tour operators mainly adopt market development and product development growth strategies for growth. Tour operators use internet to a great extent to enhance communication between their organization and stakeholders and in exploring and approaching new customer segments. The main purpose of deploying internet was for internal and external communication. Internet supports tour operators in overcoming the
disadvantage of them being small to reach customers by taking advantage of low cost advertising, bringing new services to the market and quick and efficient expansion entry into new geographical markets. They have focused a lot on regional and international advertising but not much on establishing new distribution channels. The finding support past research that whereas firms perceive use of internet as important they do not use the internet to its full advantage for growth.
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<tr>
<td>B2C</td>
<td>Business to Customer</td>
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<tr>
<td>ERP</td>
<td>Enterprise Resource Planning</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GoK</td>
<td>Government of Kenya</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>KATO</td>
<td>Kenya Association of Tour Operators</td>
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<td>KMS</td>
<td>Knowledge Management Systems</td>
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<td>SME</td>
<td>Small and Medium Size Enterprises</td>
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<td>SSC</td>
<td>SME Solution Center</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Small and medium size enterprises (SMEs) have been recognized as important contributors in the economy of many developing countries and many opportunities are opening up for them in the domestic and international markets. Already the Kenyan government has taken the driver’s seat in championing SME sector as key to shaping the Vision 2030 Kenyan dream (The SME report). All companies operate in an environment and environmental factors influence operations in companies. It is vital for an SME to grow in order to remain competitive in the business environment. Technology and specifically the internet offer a wide avenue of opportunities. By employing internet, intranet and extranet, some destinations management organizations have successfully integrated this function in promoting their destination, proving tourists with pre-trip and in-trip information; helping small and medium sized tourist enterprises to promote their products (Xiaoqui et al., 2003).

If managed properly, ICTs help tourism companies and destinations to gain competitive advantage by either maintaining their price leadership in the market or by differentiating their products and services. This will eventually lead to the increase of value added to the company (Xiaoqui et al., 2003). It is from this point of view that strategic implementation of information technology and internet became critical for all companies trying to survive in the new economy. Currently SMEs are generally unwilling to develop e-commerce systems or to change current business models (Keindl, 2000). According to Bianchi and Bivona (2002) through the management literature many successful stories are spread and researchers are encouraging SMEs to start e-commerce ventures in order to increase their
sales and at the same time there is considerable effort expended, both in time and money, by governments to encourage small and medium sized enterprises to invest in the internet (Benkinsale and Levy, 2004).

1.1.1 Growth Strategy as an Operational Option

Strategy is a multi-dimensional concept that has been defined differently by various authors. Thomsons and strckland (1993) define strategy as the pattern of organizational moves and approaches devised by management to achieve organization objective and pursue organizational mission. It is the match between an organization resource, skill and the environmental opportunities the organization wishes to accomplish (Schendel and Hofer 1979). Jauch and Glueck (1988) observed that, strategy is an unfiled, comprehensive and integrated plan that relates strategic advantage of the firm and to the challenges of the environment and that is designed to ensure the basic objective of the enterprise are achieved through proper execution by the organization. Johnson, Scholes and Whittington (2008) define strategy as the direction and scope of an organization over the long term which achieves competitive advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholders’ expectations.

Therefore, the essence of strategy is to relate the organization to the changes in the environment (Ansoff, 1990). Strategy is a fundamental framework through which the organizations can simultaneously assess its vital continuity and facilitates its adaptation to the changing environment. It is a tool of the top management team for coping with both external and internal changes and organization have to respond with relevant strategies that match the changed environment. Failure to respond may lead to
organizational deadline or obsolesce. According to Hill and Jones (1999) organizations responds to turbulence in the environment by formulating new strategies. These provide directional cues to the organization that permits it to achieve its objective while responding to the opportunities and threats in the environment. Pearce and Robinson (1997) argued that organizations have to respond to their turbulence by crafting new strategies that they define as large scale future oriented plans for interacting with the environment.

On the other hand, growth strategies are among the topics in the literature which have been widely discussed in recent years. Although there has been much interest in understanding small firm growth during the last ten years, there is still not much of a common body of well-founded knowledge about the causes, effects or processes of growth (Pasanen, 2006). Moreover, although several determinants of firm growth have been suggested, researchers have been unable to achieve a consensus regarding the factors leading to firm growth (Weinzimmer, 2000). Recent research suggests that SMEs are unlikely to follow a stages model. Rather, they focus on what is best to meet the owners' strategy for business growth. Firms should struggle for continuous growth keeping the aim of increasing or simply maintaining their sales and profit levels to ensure their survival (Claver et al., 2006).

1.1.2 Adoption of the Internet as a Growth Strategy

No business exists in vacuum and it is no doubt that they are being constantly subjected to forces of change they face in the economic, competitive, technological and political environment. All organizations regardless of their size are environment dependent.
Continuous growth ensures firm's survival in the competitive environment. Ever since internet burst into the public realm, it has held aloft the promise of commercial evolution (Spar and Bussgang, 1996). According to Houghton and Winklhofer (2002), the internet is one of the most rapidly diffused innovations of our times, as the popularity of the internet has continued to grow; it has well and truly become part of our daily life. This trend will continue as the internet becomes ingrained in our lives with more and more products being connected to the internet. Michael Porters five forces model (1980) shows that internet has had the effect of dramatically increasing competitive rivalry between firms. As the external environmental changes, organization find themselves in unfamiliar environment and have to respond by integrating changes and internalizing the ability to adapt to their new environment for survival and growth. Through use of the internet, the bargaining power of consumers has increased because there is ease by which they can compare services and products online. Furthermore, because the barriers to entry are low for new entrepreneurs entering the market, the threat of new entrants has increased. These factors have meant that businesses have to adjust their marketing strategies in order to survive in the crowded online marketplace (Ezlistmailer 2007). There is a promise of a radical new world-a friction free arena where millions of buyers and sellers complete their transactions cheaply, instantaneously and anonymously, cut free from layers of middlemen and will be able to sell their products directly to their customers. Consumers will be able to customize products and interact with the companies that supply them and conduct business from the comfort of their own homes (Spar and Bussgang, 1996). Chapman et al. (2000) says that the use of internet and communication technologies has been found to improve business competitiveness, with internet providing the opportunity for SMEs to compete on equal terms with larger organizations. Along with the increased
competition online, the internet has created new marketing opportunities. These new online marketing tools like email marketing, social media marketing, search engine marketing and selling products on auction sites like eBay are being used to a great effect by some companies, whilst other companies remain oblivious to their importance.

1.1.3 Small and Medium Size Tour Operators in Kenya

In Kenya, tourism is regarded as an ‘economic boon’ and a valuable asset to the national economy (Ondicho, 2000; Government of Kenya (GoK), 2007). This is because it is the second largest contributor to the country’s foreign exchange earnings after agriculture. It contributes about 12.5 percent to the country’s GDP after agriculture which generates about 25 percent (GoK, 2002). Following this, tourism is one of the six key pillars for growth under Kenya’s vision 2030. Hence, this sector may be a primary means of realizing the goal of economic development of undeveloped regions by linking tourism operations to local suppliers. For many communities in Kenya, tourism is an important means of generating income and provides an opportunity for strengthening local businesses.

Tourism development at the destination level is strongly influenced by tour operators. They act as a crucial link in the distribution chain representing the central connection between customers and providers of tourism services and thus have the power to influence both the demand and supply side (Nyingi, 2003). Certainly many tour operators are already thriving as evidenced by hundreds of operators listed on the KATO official website (www.katokenya.org). Small and midsized tour operators might have a less dramatic influence on tourism volumes, but can still significantly affect the path of
development by putting a new area or type of product on the map. A major benefit provided by them is that they can significantly increase the volumes of tourist arrivals, ideally leading to employment generation, export earning and economic development. Part of their product appeal is frequently a destination focus and the inclusion of local products and are less likely to own downstream operations. No common definition of an SME exists in Kenya. In this context, the SME Solutions Center (SSC) uses the most comprehensive definition of an SME as a formally registered entity, with 5 to 150 employees, turnover below US$ 5 million, net assets below US$100,000 and financial requirements between US$ 5,000 and US$ 500,000. For the purpose of this study, the exact definition of an SME is not necessary, except to state that only formally registered companies have been considered. This means that the informal sector, despite its importance and specific requirements, is not considered in this project.

1.2 Research Problem

The importance and use of internet is becoming increasingly visible among the small and medium enterprises. It has affected how tourism providers design, shape, promote and sell their products and services. Big tourism companies have responded to these new environmental opportunities and developed e-commerce applications and own global reservation and distribution networks which interconnect tourism distributors with tourism suppliers to sell their products and services. Unfortunately, most SMEs in the tourism sector have traditionally avoided the rather costly electronic distribution networks for advertising and marketing their products and services.
In many ways, the field of entrepreneurship and small medium sized firms’ research seems no closer to understanding the dynamics of small business growth. Research on internet and e-business activities that are related to the tourism have been conducted by scholars like Mzumbe, 2005: Wagner, 2005, Wood, 2001, that mainly focus on the resource based view and from a value chain perspective. Research on e-business technologies and internet application within the African context has mainly focused on the exporting sector, education sector, banking sector, and from commercial view (Hinson and Boateng, 2007). At the same time, writers have proposed various ways of resolving environmental issues that affect operations of SMEs and improve its competitiveness. Warugu (2001) in his research, found out that focus and product differentiation are some of the major strategies that the SMEs have employed in their quest to outdo each other. It has however, been suggested that the internet can be used to leverage a firm’s strategic assets and its strategic use can lead to competitive advantage, because production and procurement can be more effective and buyers will value a combination of on- and off-line services (Schlemmer and Webb, 2009). Schlemmer and Webb, 2009 further argues that the internet can be seen as an external strategic asset that can be used by any competing firm and its use is a necessity not just for remaining competitive, but for mere survival as well (Schlemmer and Webb, 2009). The use of the internet, therefore, takes centre stage in the design of SMEs’ strategic posture in the marketplace.

In this regard, not many empirical studies have been done to show the influence of the internet in SME growth and the extent growth strategies adopted by SMEs owe their success to adoption of the internet. Again, no research as yet has been published and known have been carried out that focuses on the influence of internet and internet
adoption and practices in Kenya’s small and medium sized tour operators in the tourism sector and therefore this study is positioned to begin to fill that gap. The main research questions in this study were:

What are the growth strategies adopted by small and medium sized tour operators in Kenya?

To what extent is internet applied in the specific strategies adopted by small and medium sized tour operators in Kenya?

1.3 Research Objectives

The research objectives for this study were:

i) To determine the growth strategies adopted by small and medium sized tour operators in Kenya

ii) To establish the extent to which internet is applied in the specific strategies adopted by small and medium sized tour operators in Kenya

1.4 Value of the Study

Tourism being one of the major drivers of the economy in Kenya and the world at large, this study will be important to various stakeholders mainly the tourism industry players, small and medium enterprises, government, educationist, academicians, students and entrepreneurs.

The government has in the recent times spirited up some effort to promote growth in SMEs. This has been demonstrated by various incentives and regulatory controls
introduced meant to spur growth. This study will give them insight into the various growth strategies adopted by SMEs and how best to support them in their growth initiative.

The report will be of great value to the investors in the industry. It will help them understand the various growth strategies in the industry and the factors that determine the strategies to be adopted. The report will also give the investors insight on the influence internet plays in the growth strategies adopted so as to strategically position themselves in the competitive business environment.

The entrepreneurs will find the report very significant in understanding the dynamics of growth in the industry. This will assist them in planning and strategizing on the business models to adopt to steer their enterprises to growth. On the other hand the report will shed light on the available business opportunities available given internet use in the tourism industry.

The academic fraternity will find the report important in helping them understand one of the fastest growing sectors of the economy. In effect it will open up research and study opportunities in areas not adequately covered by the report.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covered the literature review that is related to the topic. It focused on the nature of growth strategy, forms of growth, Ansoff growth strategies, influence of the internet on SME growth, influence of the internet in specific growth strategies, influence of the internet in product-market development strategies, influence of the internet in strategies for innovation and revenue growth and advantages of the internet on the growth of SMEs.

2.2 Nature of Growth Strategy

Chandler (1962) stated that strategy determines the basic long-term goals of an enterprise, and the adoption of courses of action (strategy as plan of action) and the allocation of resources necessary for carrying out these goals (strategy as re-source allocation). While Porter (1996) viewed strategy as the process of creating a unique and valuable position with means of a set of activities in a way that creates synergistic pursuit of the objectives of a firm. Mintzberg (1990) suggests that the term strategy is used to mean a plan, a ploy, a pattern, a position or a perspective of the 5 Ps. Strategy can be viewed as building defenses against the competitive forces, or as finding positions in the industry which forces are weakest (Pearce & Robinson, 1997), it is a process. Porter (1980) also noted that strategy is all about competitions and trying to gain competitive advantage. From the above suggestions it can be concluded that strategy is a pattern of actions and resource allocations designed to achieve the goals of the organization and the strategy that an organization implements is an attempt to match the skills and resources of the organization to the opportunities found in the external environment. Jauch (1988)
argued that decisions and actions taken will lead to the development of an effective strategy which will help to achieve organizational objectives.

Most theories discuss growth strategies that can be adopted and their influence on competitive advantages and success of firms (Robinson and Wiersema, 1995). Growth strategies refer to a strategic plan formulated and implemented for expanding firms businesses. They focus resources on seizing opportunities for profitable growth, alter company’s goals and business process to challenge conventional wisdom, identify emerging trends and build businesses. The reason driving enterprises towards growth are valid from enterprise to enterprise including need for survival in the competitive business environment. Other factors precipitating from growth include development of modern technologies; prestige and power associated with big enterprises and need for self sufficiency in terms of marketing of raw materials or marketing of products.

The research community largely shares the view that growth in SMEs has a special importance in the economy (Gibb & Davies, 1990). It is argued that a relatively small proportion of all small firms are responsible for the major part of the small firm contribution to net new jobs (Chaffey et al. 2003). These firms have been described as ‘gazelles’, ‘fliers’, ‘growers’ and ‘winners’, and the targeting of effort towards them has been described as ‘picking’, ‘stimulating’, or ‘backing’ winners (Gibb & Davies, 1990). SME growth is often closely associated with firm overall success and survival (Gorman, 2001). Growth has been used as a simple measure of success in business. It is the most appropriate indicator of the performance for surviving small firms and an important precondition for the achievement of other financial goals of business (Gorman, 2001). From the point of view of an SME, growth is usually a critical precondition for its
longevity and young firms that grow have twice the probability of survival than young non-growing firms. It has been also found that strong growth may reduce the firm’s profitability temporarily, but increase it in the long run (Gorman, 2001). However, there are several conceptual and empirical challenges in the study of firm growth. Firm growth in general refers to increase in size. The most frequently used measure for growth has been change in the firm’s turnover. Another typical measure for growth has been change in the number of employees. It has been found that these measures, which are frequently used in the SME context, are strongly intercorrelated. Such an intercorrelation may not exist among capital-intensive large companies (Ezlistmailer, 2007). In research, firm growth has been operationalized in many ways and different measures have been used. This may be one reason for the contradictory results reported by previous studies (Gorman, 2001) though other explanations have also been presented.

2.2.1 Forms of Growth

Business growth takes places in many ways and can be divided into two broad categories – organic and inorganic growth. Organic growth can also be termed as internal growth. It is growth from within. It is planned and slow increase in the size and resources of the firm. A firm can grow internally by ploughing back of its profits into the business every year leading to the growth of production and sales turnover of the business, increase in the sales of existing products or by adding new products, asset replication, exploitation of technology, better customer relations, innovation of new technology and products to fill gaps in the market place (Brunner, 2004). Internal growth is slow and involves comparatively little change in the existing organization structure. The ways used by the management for internal growth include intensification, diversification and
modernization. Inorganic growth strategies refer to external growth and involve a merger of two or more business firm. A firm may acquire another firm or firms may combine together to improve their competitive strength. External growth has been attempted by the business houses through mergers, acquisitions and joint venture. It is fast and allows immediate utilization of acquired asset. Brunner (2004), says it is less risky as it does not result in expansion in capacity. Firms that choose to grow inorganically can gain access to new markets and fresh ideas that become available through successful mergers and acquisitions (Domadaran, 2002).

2.2.2 Ansoff Growth Strategies

Intensive growth strategies also referred to as Ansoff-Product-Market Expansion Grid involves raising the market share, sales revenue and profits of the present products or services. The firm slowly increases its production and so it is called internal growth strategy. It is a good strategy for firms with smaller share of the market. The model was proposed by Ansoff (1957) comprises most of the aspects which are assessed by many authors as major strategies for SME growth. Kotler (2002) argued that the most common model for analyzing the possible strategic direction that organizations can follow is Ansoff Matrix. The model presents a strategic grid that can assist firms identify their future strategic growth direction and is used when firms are planning for growth. The matrix itemizes four basic ways in which a firm can develop its portfolio of products and markets. It also emphasizes the degree of risk of the approach. To present alternative cooperative growth strategies, Ansoff presented a matrix that focused on the firm's present and potential products and market (consumers). In this model, potential areas where competencies and generic strategies can be deployed are depicted in four broad
alternatives: market penetration, market development, product development and diversification.

Market penetration is a strategy where the business focuses on selling existing products into existing markets. This increases the revenue of the organization. Market development is a growth strategy where the business seeks to sell its existing products into new markets. This means that the product is the same but it is marketed to the new audience. Product development is a growth strategy where a business aims to introduce new products into existing markets. This strategy may need the development of new competencies and requires the business to revise products to appeal to existing markets. Diversification is the growth strategy where a business markets new products in new markets. This is an intrinsically riskier strategy because the business is moving into markets in which it has little or no experience.

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<th>New Markets</th>
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<td><strong>Existing Products</strong></td>
<td><strong>New Products</strong></td>
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<tr>
<td>Market Penetration (Increase market share)</td>
<td>Product Development (New or improved products)</td>
</tr>
<tr>
<td>Market Development (New customers, new markets, new segments or new countries for existing products)</td>
<td>Diversification (New Products into new markets)</td>
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Figure 2.1 Ansoff Growth Strategies

2.3 Influence of the Internet on SME Growth

A healthy business environment is fundamental for firms to thrive. Business success in today’s liberalized global environment is based not on old-fashioned comparative advantages of locations and natural resource endowments but on competitive advantage derived from knowledge and skills. SMEs operate within unstable, unregulated, unintegrated and uncompetitive environments with the internet providing a new economic environment in which virtual business can be conducted. Within the disclosure on the information society and the e-economy, ICTs are seen as major tools with the potential to fundamentally change business behavior and company strategies. The internet, on the other hand, is rapidly becoming a fully fledged business tool, which could be used to implement business contract and provide an enabling business environment.

According to Teo and Pian (2003), internet adoption can help a firm expand its markets and customer share thus facilitating a firm’s growth strategy. Internet adoption affects a firm’s ability by increasing its scope and extending its core business through market penetration and development or product development. Based on internet technology, a firm is able to quickly and effectively expand its geographical markets regionally and globally. In addition, an internet presence can open new markets and new distribution channels. Further, an information-rich website can help a firm develop relationships with customers by providing more effective marketing, new channels and shorter time to market customized or personalized products, online 24 hour technical support and online interactive community. Many tourism businesses could develop their internet capacities and benefit from tremendous potential the internet offers.
2.3.1 Influence of the Internet in Specific Growth Strategies

The Internet provides a unique opportunity to examine the evolution and growth of a business sector because it has taken place over a relatively short time period (Javalgi et al. 2004). The initial Internet environment might be described as a virgin environment, in which rapid growth could be expected. Among emerging technologies, the Internet is a new channel for commerce applicable in a wide variety of industries around the world. As a new strategic tool, it is transforming businesses and creating new opportunities as well as challenges for international marketers as many nations are fast connecting to the global marketplace. Levy and Powell (2002) explored the adoption of the Internet among SMEs and formulated a model for the Internet adoption. This model identifies four roles for the Internet in SMEs-brochure ware, support, opportunity, and network. These are driven by business growth planning and perceived the Internet value as shown in figure:
Figure 2.2: Segmented Internet Adoption Patterns in SMEs

Source: Levy and Powell, 2002, p 519

Brochureware are those firms that do not plan business growth and see the value of the Internet as low. Owners generally think about the Internet but cannot see its relevance to their business. One of the reasons is nature of industry in which SME operates. Hence, there is a role for the Internet for these firms but it is restricted to the presentation of online firm information or brochures and for e-mails. (Levy and Powell, 2002). Business Opportunity is SMEs with recognition that the Internet has some value to them, in the future. However, it is limited to improving efficiency internally, customer communication, and research. The contrast between this category and Brochureware is that owners recognize the business value of the Internet and although not seeking growth, recognize that competitive pressure demand investment. These firms see a business opportunity from use of the Internet and related. (Levy and Powell, 2002). Firms using the Internet for Business Support are planning growth, but currently see little future for
their businesses from the Internet. Most of time these SMEs are innovative firms seeking growth. They have a number of innovative products that are sold to large firms, so personal contact is regarded by customers as important and there is little indication that the Internet is of value. These SMEs seek to grow but do not believe that industry demands investment in the Internet to support that growth. These firms see the worth of the Internet as a medium for business support. (Levy and Powell, 2002). In Business Network opportunity from the Internet is seen as key to the development of SMEs. Firms see their future tied into using the Internet. Firms develop IT strategy alongside their business strategy most of the time. These are well positioned to take advantage of e-Business. These firms possesses effective internal network accessible by all employees as means to manage the business processes. (Levy and Powell, 2002).

2.3.2 Influence of the Internet in Product-Market Development Strategy

According to Chaffey et al. (2003) the internet has the potential to expand the scope of business into new markets and products. The model of Ansoff is still useful for managers to discuss market and product development using electronic technologies. The strategic options to be considered in an e-commerce context can be given as:

Market Penetration: Digital channels can be used to sell more existing products into existing markets. Online channels can help consolidate or increase market share by providing additional promotion and customer service facilities amongst customers in an existing market (Chaffey et al., 2003). Market Development: Online channels are used to sell into new markets, taking advantage of the low cost of advertising internationally without the necessity for a supporting sales infrastructure in the customers' regions
As well as selling into new geographic markets, products can also be sold to new market segments or different types of customers. The Internet may offer further opportunities for selling to market sub-segments that have not been previously targeted. Product Development: The Internet can be the basis for product development, information sharing, resource sharing, knowledge sharing and task assigning between different businesses. This can improve product quality and decrease development time and cost (Yujun et al, 2006). Hill and Wright, (2000) report that the internet provides global access to people, data, software, documents and multimedia have allowed organizations to shorten the development cycle of new products, to communicate with experts from around the world, to receive immediate customer feedback, and to access supercomputers for industrial research and development. Diversification: In this sector, new products are developed which are sold into new markets (Chaffey et al., 2003). Since, Market penetration and diversification are not taken as preferred strategies for SME growth by authors and managers, not much emphasize is put on these two strategies.

2.3.3 Influence of the Internet in Strategies for Innovation & Revenue Growth

Research suggests that high growth SMEs grow by pursuing a differentiated strategy (Porter, 1980). The source of the uniqueness that drives the differentiation strategy pursued by high growth SMEs is frequently innovation. SMEs that are technically more sophisticated or technologically more innovative are likely to grow faster. In context of small rapidly growing business, research suggests that new product introductions are positively related to growth (Gorman, 2001). Andersen (2001) finds that innovation relates to use of the internet and participation across industries, and that economic
efficiency relates to use of the internet and autonomy in dynamic and complex industries. The use of IT can enhance the organizations internal and external communication capabilities and simulate innovation. The effect on innovation should be enforced in organizations that adhere to decentralized strategic decision making, because exchange of information and involvement stimulate creativity and learning. According to Andersen (2001) use of information technology to enhance an organization’s internal and external communication capabilities is positively associated with organizational performance in different industrial environments.

2.3.4 Advantages of the Internet on the Growth of Small and Medium Enterprises

Davis et al. (2000) mention that firms with more aggressive use of technology are likely to engage more in international activities. Their study of internationalization among new, high-tech firms reveals that firms with higher levels of technology usage incur costs associated with internationalizing to be significantly lower than firms with lower levels of technology usage. It appears that companies with a technological advantage have an incentive to expand overseas because they can use that advantage in overseas markets at little or no marginal cost over the cost of developing the advantage in the domestic market.

ICT and e-commerce offer benefits for a wide range of business processes. At firm level, ICT and its applications can make communication within the firm faster and make the management of the firm’s resources more efficient. Seamless transfer of information through shared electronic files and networked computers increases the efficiency of business processes such as documentation, data processing and other back-office functions
(e.g. organizing incoming orders and preparing invoices). Increasingly sophisticated ICT applications such as KMS (Knowledge Management System) and ERP (Enterprise Resource Planning) allow firms to store, share and use their acquired knowledge and know-how. For example, customer databases with a history of client-specific correspondence help managers and employees to respond more effectively to customers.

At inter-firm level, the Internet and e-commerce have great potential for reducing transaction costs and increasing the speed and reliability of transactions. They can also reduce inefficiencies resulting from lack of co-ordination between firms in the value chain. Internet-based B2B interaction and real-time communication can reduce information asymmetries between buyers and suppliers and build closer relationships among trading partners (Moodley, 2002). In fact, adopters of e-commerce tend reduce transaction costs, increase transaction speed and reliability, and extract maximum value from transactions in their value chains (OECD, 2002a).

In the B2C (business to customer) context, the Internet and e-commerce can be effective tools for better communication. A corporate Web site that provides information on products, services or technologies can enhance the quality of a firm’s services to customers and attract new customers. By collecting information on customers’ needs, it can be used for product development or innovation. A home page with a direct link to the corporate e-mail account provides an easy-to-access contact point. For those in different time zones, 24-hour availability of the contact is especially attractive. Eurostat’s E-commerce Pilot Survey shows that SMEs’ motives for Internet commerce include reaching new/more customers, geographic expansion of market and improvement of service quality. Internet and e-commerce enable SMEs that remain in local and regional
markets because of a lack of information and marketing capability to gain access to new customers and to expand their markets geographically.
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter sets out the research methodology adopted so as to meet the objectives stated in chapter one of this study. It covers the research design, population, sample design, data collection and data analysis and presentation.

3.2 Research Design

Descriptive survey was used to establish the adoption of internet as a growth strategy by small and medium sized tour operators in Kenya. A descriptive survey is a type of conclusive research that has its major objective as description of phenomena associated with a subject, population or to estimate proportions of population that have certain characteristics (Malhotra, 1996). According to Cooper and Schnidler (1998), such studies aim at determining answers to the question of who, what, when, how, why and where.

3.3 Population

The population of interest consisted of all small and medium sized tour operators whose headquarters are based in Nairobi, who are members of Kenya Association of Tour Operators (www.katokenya/katomembers.asp) and fall within the description of being an SME. The total number of members registered by KATO are 281.
3.4 Sample Design

The sampling frame for this study was the list of membership of tour operators available from KATO. A sample was drawn using simple random sampling procedure from each category. KATO has grouped its members into six major categories, (A to E and associates) depending on the gross annual turnover. Category “A” all members with a gross annual turnover exceeding US $ 1.7 million. Category “B” all members with a gross annual turnover exceeding US $ 1.1 million but below US $ 1.7 million. Category “C” all members with a gross annual turnover exceeding US $ 570000 but below US $ 1.1 million. Category “D” all members with a gross annual turnover exceeding US $ 570000 but below US $ 140000. Category “E” all members with a gross annual turnover not exceeding US $ 140000. Associate - all members who are yet to complete one full year in membership. Based on the definition of an SME as defined by the SME solution center, Category “A” tour operators were omitted in the study given that their annual turnover could exceed US $ 5 million. Based on this a sample size of 100 tour companies was selected.

Table 3.1 Population and sample size of Tour Operators

<table>
<thead>
<tr>
<th>Category</th>
<th>Population (N)</th>
<th>Members with headquarters in Nairobi</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>28</td>
<td>11</td>
</tr>
<tr>
<td>B</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>C</td>
<td>17</td>
<td>7</td>
</tr>
<tr>
<td>D</td>
<td>40</td>
<td>22</td>
</tr>
<tr>
<td>E</td>
<td>122</td>
<td>44</td>
</tr>
<tr>
<td>Associate</td>
<td>67</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>281</td>
<td>100</td>
</tr>
</tbody>
</table>
3.5 Data Collection

Survey method was used to collect pertinent primary data for this study. Data was collected using a semi-structured questionnaire (Appendix 1) that consisted of five parts. The questionnaire contained both open ended and close ended questions. Drop and pick up later method was used. 77 interviewees were interviewed by the researcher and mainly included general managers, operations manager or their equivalent in each tour company.

3.6 Data analysis

The data was analyzed using descriptive statistics namely frequencies, means scores, standard deviation, percentages so as to meaningfully describe the distribution of scores or measurement. Inferential statistics was also be used to establish whether relationships exist among variables. Data was presented using tables, pie charts, graphs.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. The purpose of the study was to examine adoption of the internet as a growth strategy by small and medium sized tour operators in Kenya. The objectives of this study were to determine the growth strategies adopted by small and medium sized tour operators in Kenya and to establish the extent to which internet is applied in the specific strategies adopted. The researcher made use of frequency tables and percentages to present data. The researcher targeted a sample of 100 tour companies out of which 77 responses were obtained. This represented a 77% response rate. According to Babbie (2002) any response of 50% and above is adequate for analysis thus 77% is even better.

4.2 General Information

The survey sought to know the respondents designation in their respective departments and majority of them were operations managers, senior tour consultants and general managers. Most of the respondents indicated that they had worked in their current positions for over five years.

4.3 Company information

Respondents were asked when their respective company’s started and a majority of them indicated they had been in operation for over fifteen years. Number of employees in the years 2009, 2010 and 2011, respondents indicated on average they has about 45, 52 and 55 employees respectively. However, it was not clear on the percentage turnover being
spent on developing new products and marketing activities. The respondents indicated that majority of their customers came from Europe. At the same time they indicated that they received significant number of customers from Middle East, Asia, USA and Africa.

4.4 Growth strategies

This section discusses the growth strategies adopted by tour operators in Kenya.

4.4.1 Product development

Respondents were asked if in the past three years they had introduced new services or made significant improvements to those services being provided. From the findings 41.4% said no while as 58.6% as shown in table 4.1. The respondents noted that they had made significant improvements to their itineraries and had come up with new destinations thereby modifying their old itineraries. They had also come up with more personalized and customized services. On the questions of whether innovation was important to the respondents’ establishments, 83.7% of the respondents indicated that indeed innovation was important while as 16.3% said no as shown in table 4.1. As to how they practiced it was by coming up with new destinations and creative tourism products that are more flexible to customer requests.
### Table 4.1: Product development (n=77)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>New services/improvements to the services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>45</td>
<td>58.6</td>
</tr>
<tr>
<td>No</td>
<td>32</td>
<td>41.4</td>
</tr>
<tr>
<td>Is innovation important to your establishment?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>64</td>
<td>83.7</td>
</tr>
<tr>
<td>No</td>
<td>13</td>
<td>16.3</td>
</tr>
</tbody>
</table>

#### 4.4.2 Market Development

The researcher asked the respondents if in the past three years there had been additions in their customers and 55.4% of the respondents indicated yes as and said that this was a result of them having expanded their markets, more emphasis on domestic tourism and coming up with aggressive marketing strategies (table 4.2). 44.6% of the respondents said no and a majority of them cited this was due to increased competition. The study sought to investigate what distribution channels the respondents used for their services and 37.9% of them indicated that they preferred the intermediary/agent led channel. This was followed by internet led channel (26.4%), Company led channel (17.7%), partnering with other companies (10.5%) and finally use of worksite/social media marketing (7.3%) as shown in table 4.2.

On whether the companies had major changes in the distribution channel, 58.3% of the respondents indicated that they did not have any major changes while 41.7% of them said yes. Majority of the respondents in their respective companies indicated that they
continuously aimed for new customers (80.2%) rather than supply their services to a few customers only (19.8%). The respondents further added that 47.7% of them used tour operators abroad to search and target their customers, 31.8% did so over the internet, 12.5% searched and targeted their customers in meetings, conferences and exhibitions and 6.5% passed though the ministry of tourism as indicated in table 4.2.

Table 4.2 Market Development (n=77)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions in customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>43</td>
<td>55.4</td>
</tr>
<tr>
<td>No</td>
<td>34</td>
<td>44.6</td>
</tr>
<tr>
<td>Distribution channels for you services*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediary/agent led channel</td>
<td>47</td>
<td>37.9</td>
</tr>
<tr>
<td>Company led channel</td>
<td>22</td>
<td>17.7</td>
</tr>
<tr>
<td>Internet led channel</td>
<td>33</td>
<td>26.4</td>
</tr>
<tr>
<td>Partnering with other companies</td>
<td>13</td>
<td>10.5</td>
</tr>
<tr>
<td>Work site marketing</td>
<td>9</td>
<td>7.3</td>
</tr>
<tr>
<td>Does our establishment supply to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A few customers only</td>
<td>15</td>
<td>19.8</td>
</tr>
<tr>
<td>Continuously aim for new customers</td>
<td>62</td>
<td>80.2</td>
</tr>
<tr>
<td>How do you search and target them?*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Through the internet</td>
<td>34</td>
<td>31.8</td>
</tr>
<tr>
<td>Tour operators abroad</td>
<td>51</td>
<td>47.7</td>
</tr>
<tr>
<td>In meeting, conferences and exhibitions</td>
<td>15</td>
<td>12.5</td>
</tr>
<tr>
<td>Ministry of tourism</td>
<td>7</td>
<td>6.5</td>
</tr>
</tbody>
</table>

* Represents multiple responses
4.5 Role of the internet in specific growth strategies

This section discusses the role of the internet in specific growth strategies adopted by tour operators in Kenya.

4.5.1 Purpose of deploying internet in their establishment

The study sought to investigate the purpose of deploying internet in the respondent’s establishment and the results indicated that a majority of them used internet mainly to send emails (25.8%). This was followed by use of internet to supply information about the establishment’s services (20.8%), search for information (14.8%), e-brochures (12.8%), and sales transactions (11.7%), interactive marketing (9.5%) and lastly product development (4.2%) as indicated in table 4.3.

Table 4.3 Purpose of deploying internet in their establishment (n=77)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose of deploying internet*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brochures</td>
<td>36</td>
<td>12.8</td>
</tr>
<tr>
<td>E-mail</td>
<td>73</td>
<td>25.8</td>
</tr>
<tr>
<td>Information about the establishment services</td>
<td>59</td>
<td>20.8</td>
</tr>
<tr>
<td>Interactive marketing</td>
<td>27</td>
<td>9.5</td>
</tr>
<tr>
<td>Sales transactions</td>
<td>33</td>
<td>11.7</td>
</tr>
<tr>
<td>Search for information</td>
<td>42</td>
<td>14.8</td>
</tr>
<tr>
<td>Product development</td>
<td>12</td>
<td>4.2</td>
</tr>
</tbody>
</table>

* Represents multiple responses
4.5.2 Role of internet in product development strategy

The researcher asked the respondents to indicate how they used the internet in developing new services. A five point Likert scale was used to interpret the respondent’s responses. According to the scale, those instances the respondents strongly disagreed with the statements was awarded 1 while those instance in which they strongly agreed was awarded 5. Within the continuum are 2 disagree, 3 for not sure and 4 for agree. Mean (weighted average) and standard deviation were used to analyze the data. From the findings, the researcher noted that those instances with a mean greater than 3.0 were rated to as having a strong influence on new service development while as those with a mean less than 3.0 were rated as having a least influence. On the same note the higher the standard deviation the higher the level of dispersion among the respondents.

Five of the proposed reasons for use of internet in service development are ranked high since they presents a mean score higher than the midpoint (3) of the five point Likert scale. Those rated highly include generating ideas (M=3.98, SD=0.190), service launch (M=3.78, SD=0.202), market research (M=3.91, SD=1.210), business analysis (M=3.23, SD=0.807), information sharing (M=3.15, SD=1.082). Those reason that rated low include enhanced operational performance (M=2.56, SD=1.243), resource sharing (M=2.17, SD=0.455), knowledge sharing (M=1.58, SD=0.990), product development (M=2.14, SD=1.141) and product pricing (M=2.57, SD=0.454).
Table 4.4: Role of internet in product development strategy (n=77)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generating ideas</td>
<td>3.98</td>
<td>.190</td>
</tr>
<tr>
<td>Service launch</td>
<td>3.78</td>
<td>.202</td>
</tr>
<tr>
<td>Market research</td>
<td>3.91</td>
<td>1.210</td>
</tr>
<tr>
<td>Business analysis</td>
<td>3.23</td>
<td>.807</td>
</tr>
<tr>
<td>Enhanced operational performance</td>
<td>2.56</td>
<td>1.243</td>
</tr>
<tr>
<td>Information sharing</td>
<td>3.15</td>
<td>1.082</td>
</tr>
<tr>
<td>Resource sharing</td>
<td>2.17</td>
<td>.455</td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td>1.58</td>
<td>.990</td>
</tr>
<tr>
<td>Product development</td>
<td>2.14</td>
<td>1.141</td>
</tr>
<tr>
<td>Product pricing</td>
<td>2.57</td>
<td>.454</td>
</tr>
</tbody>
</table>

4.5.3 Role of internet in market development strategy

The researcher asked the respondents to indicate how they used the internet in market development. A five point Likert scale was used to interpret the respondent’s responses. According to the scale, those instances the respondents strongly disagreed with the statements was awarded 1 while those instance in which they strongly agreed was awarded 5. Within the continuum are 2 disagree, 3 for not sure and 4 for agree. Mean (weighted average) and standard deviation were used to analyze the data. From the findings, the researcher noted that those statements with a mean greater than 3.0 were rated to as having a strong influence on market development while as those with a mean
less than 3.0 were rated as having a least influence. On the same note the higher the standard deviation the higher the level of dispersion among the respondents.

All the proposed reasons for use of internet in market development are ranked high since they presents a mean score higher than the midpoint (3) of the five point Likert scale. Starting with those rated highly to the lowest, the researcher found out that taking advantage of low cost advertising (M=4.23, SD=0.048), faster service delivery (M=4.03, SD=0.473), enhanced competitiveness (M=3.97, SD=0.236), enhanced communication between the organization and stakeholders (M=3.92, SD=0.883), quick and efficient expansion into new geographical markets (M=3.84, SD=0.079), better understanding of the market (M=3.66, SD=0.025), bringing new services to the market (M=3.62, SD=0.338), development of customized services (M=3.58, SD=1.210) and significant change in market processes (M=3.25, SD=1.114) were found to influence market development strategy.
Table 4.5 Role of internet in market development strategy (n=77)

<table>
<thead>
<tr>
<th>Role of internet in market development strategy</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taking advantage of low cost advertising</td>
<td>4.23</td>
<td>.048</td>
</tr>
<tr>
<td>Quick and efficient expansion into new geographical markets</td>
<td>3.84</td>
<td>.079</td>
</tr>
<tr>
<td>Better understanding of the market</td>
<td>3.66</td>
<td>.025</td>
</tr>
<tr>
<td>Bringing new services to the market</td>
<td>3.62</td>
<td>.338</td>
</tr>
<tr>
<td>The internet has enhanced communication between the organization and stakeholders</td>
<td>3.92</td>
<td>.883</td>
</tr>
<tr>
<td>Develop more customized services</td>
<td>3.58</td>
<td>1.210</td>
</tr>
<tr>
<td>Faster service delivery</td>
<td>4.03</td>
<td>.473</td>
</tr>
<tr>
<td>Enhanced competitiveness</td>
<td>3.97</td>
<td>.236</td>
</tr>
<tr>
<td>The internet has changed organization processes significantly</td>
<td>3.25</td>
<td>1.114</td>
</tr>
</tbody>
</table>

4.5.4 Role of internet in organization overall performance

The researcher asked the respondents to indicate whether the internet had helped their establishment in its overall performance. A five point Likert scale was used to interpret the respondent’s responses. According to the scale, those instances the respondents strongly disagreed with the statements was awarded 1 while those instance in which they strongly agreed was awarded 5. Within the continuum are 2 disagree, 3 for not sure and 4 for agree. Mean (weighted average) and standard deviation were used to analyze the data. From the findings, the researcher noted that those statements with a mean greater than 3.0
were rated to as having a strong influence on overall performance while as those with a mean less than 3.0 were rated as having a least influence. On the same note the higher the standard deviation the higher the level of dispersion among the respondents.

Six of the proposed reasons that indicate that internet has enabled the establishments in their performance are ranked high since they presents a mean score higher than the midpoint (3) of the five point Likert scale. Those ranked highly include internet enhanced internal and external communication (M=4.01, SD=0.146), improved advertising channels (M=3.73, SD=0.774), increased productivity (M=3.72, SD=0.701), increased sales and distribution channel (M=3.53, SD=0.732), increased profitability (M=3.40, SD=1.442) improved our position (M=3.08, SD=1.052). Those reason that rated lowest were internet that had enabled the establishments in exploring and approaching new customers and segments (M=2.88, SD=1.054) and internet had caused changes in organization structure and decision making (M=2.46, SD=0.519).
Table 4.6 Role of internet in organization performance (n=77)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The internet has dramatically increased productivity</td>
<td>3.72</td>
<td>.701</td>
</tr>
<tr>
<td>The internet has improved our position</td>
<td>3.08</td>
<td>1.052</td>
</tr>
<tr>
<td>The internet has dramatically increased sales and distribution channel</td>
<td>3.53</td>
<td>.732</td>
</tr>
<tr>
<td>Enhancement of internal and external communication</td>
<td>4.01</td>
<td>.146</td>
</tr>
<tr>
<td>The internet has dramatically increased profitability</td>
<td>3.40</td>
<td>1.442</td>
</tr>
<tr>
<td>The internet has assisted in exploring and approaching new customers and segments</td>
<td>2.88</td>
<td>1.054</td>
</tr>
<tr>
<td>The internet has dramatically improved advertising channels</td>
<td>3.73</td>
<td>.774</td>
</tr>
<tr>
<td>The internet has caused changes in organization structure and decision making</td>
<td>2.46</td>
<td>.519</td>
</tr>
</tbody>
</table>

4.5.5 Strategic use of internet

The researcher asked the respondents to indicate whether there was strategic use of internet in their establishment. A five point Likert scale was used to interpret the respondent’s responses. According to the scale, those instances the respondents strongly disagreed with the statements was awarded 1 while those instance in which they strongly agreed was awarded 5. Within the continuum are 2 disagree, 3 for not sure and 4 for agree. Mean (weighted average) and standard deviation were used to analyze the data. From the findings, the researcher noted that those statements with a mean greater than 3.0 were rated to as having a strong influence on its use while as those with a mean less than
3.0 were rated as having a least influence. On the same note the higher the standard deviation the higher the level of dispersion among the respondents. Both responses rated were ranked low since they present a mean score lower than the midpoint (3) of the five point Likert scale. They are internet has a strategic meaning for their company (M=2.55, SD=0.172) and organizations use the internet actively to reach strategic aims (M=2.25, SD=0.187).

**Table 4.7 Strategic use of internet (n=77)**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The internet has a strategic meaning for our company</td>
<td>2.55</td>
<td>.172</td>
</tr>
<tr>
<td>The organization uses the internet actively to reach strategic aims</td>
<td>2.25</td>
<td>.187</td>
</tr>
</tbody>
</table>
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the purpose of the study which was to examine adoption of the internet as a growth strategy by small and medium sized tour operators in Kenya. The objectives of this study were to determine the growth strategies adopted by small and medium sized tour operators in Kenya and to establish the extent to which internet is applied in the specific strategies adopted.

5.2 Summary of Key Findings

The research study found out that majority of the companies had been in operation for over fifteen years with an average of 45, 52 and 55 employees in the years 2009, 2011, 2012 respectively. However, it was not clear on the percentage turnover being spent on developing new products and marketing activities. Most of their customers came from Europe, Middle East, Asia, USA and Africa.

To address the first objective of the study, the researcher sought to find out the growth strategies adopted by small and medium sized tour operators in Kenya. The study established that in the past three years many companies had not introduced new services or made significant improvements to the services they provided and those who did indicated that they had made improvements to their itineraries and had come up with new
destinations thereby modifying the old destinations. The study also found out that internet had enabled tour operators come up with personalized and customized services. Innovation indeed was noted to be important in the growth of small and medium sized tour operators and this was practiced by coming up with new destinations and creative tourism products that are more flexible to customer requests. Also innovation was noted to improve services provided resulting into faster services and consequently higher profits.

The study found out that most companies in the past three had additions in the number of customers as a result of having expanded their markets and placing emphasis on domestic tourism. Companies had managed to reach them by coming up with aggressive marketing strategies. The channels distribution channels used for their services were mainly intermediary/agent led channels. Internet led channels was rated highly also in comparison to other channels like company led channels, partnering with other companies and use of social media marketing. Others noted that friends and relatives had played a significant role in the distribution of their services. Clearly most companies preferred the traditional distribution channel and as they indicated that they had not made any major changes to their distribution channels. This is also further supported by the fact that most tour operators preferred to use tour operators abroad to search and target their customers. Internet again rated second while as meetings, conference, exhibitions and the ministry of tourism followed in their bid to continuously aim for new customers.

To address the second objective of the study that is to establish the role of internet in the specific growth strategies adopted by small and medium sized tour operators in Kenya. The study established that mainly product and market development strategies were
adopted. More emphasis though was placed on the role of internet in market development strategies. Internet was mainly used for sending emails, supply information, search information, e-brochures, sales transactions, interactive marketing and lastly product/service development. The respondents strongly agreed to five of the proposed reasons for use of internet in service development. They include generating new ideas from a wider range of sources, enhancing the effectiveness and efficiency of new service launch, market research in order to understand the market better and target it more effectively, business analysis, information sharing after collecting and categorizing it for use in service development. The respondents were keen to note that internet was hardly used to enhance operational performance, resource sharing, knowledge sharing, product development and product pricing.

The study found out that the role internet played in market development strategies were mainly to take advantage of low cost advertising, faster service delivery, enhanced competitiveness, enhanced communication between the organization and stakeholders, quick and efficient expansion into new geographical markets, better understanding of the market, bringing new services to the market, development of customized services and to make significant change in market processes all of which were rated highly by the respondents.

The study sought to find out if small and medium sized companies through the use of internet had improved their overall performance. It was clear that indeed internet had helped organizations improve their overall performance as six out of the eight proposed statements rated highly. The respondents indicated that internet had enhanced internal and external communication with the various stakeholders, improved their advertising
channels by having quick and effective expansion of geographical markets regionally and globally, increased their productivity, increased sales and distribution channel, increased profitability and improved their market position. The respondents did not totally agree with the statements that internet enabled them to explore and approach new customers and segments and internet that it had caused changes in organization structure and strategic decision making.

The respondents did not seem to agree with the statements that internet had a strategic meaning for their company and organizations did not seem to use the internet actively to reach strategic aims.

5.3 Conclusions

The purpose of this study has been to determine how the adoption of the internet has been used as a growth strategy by small and medium tour operators in Kenya. Looking at the growth strategies adopted by small and medium sized tour operators in Kenya, the study concludes that tour operators adopted product and market development strategies for growth. Product development strategies for growth was brought out by the need for the companies to develop personalized and customized services, improve on their itineraries, come up with creative tourism products, improve on services provided and faster service delivery. Market development strategies on the other hand were brought out by the need to conduct aggressive marketing and target mass market. However, it was also noted that majority of the tour operators preferred using the traditional distribution channels of using agents in their marketing strategies.
Specific attention was given to the second objective that aimed to determine to what extent the internet was applied in the specific strategies adopted by small and medium sized tour operators in Kenya. The study concludes that internet was used in product development strategies in generating new ideas, service launch, market research, business analysis and for collecting and sharing information. As for market development strategies, the study concludes that internet was used mainly to take advantage of low cost advertising, enhance internal and external communication, expansion into new geographical markets and for bringing new services to the market.

Finally, the study concludes that internet enabled small and medium sized tour operators improve their overall efficiency especially in matters concerning internal and external communication, improved advertising channels, quick and efficient expansion into geographical markets regionally and globally, increased productivity, sales and profitability. On the same note the study concludes that internet was however, noted not to have a strategic meaning for many companies and neither was it used actively to reach strategic aims.

5.4 Recommendations

Based on the above observations the study recommends that use of internet is of vital importance for small and medium sized tour operators and should be taken into the overall strategy of the firm to enhance performance as a whole. High levels of internet integration should be adopted to take significant benefit and successful of growth strategies adopted.
The study also recommends that tour companies should consider more use of internet in niche marketing, establishment of new distribution channels and to advertise in target markets and selected niches since it has a great potential to send personalized messages to well defined target groups.
REFERENCES


APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

LETTER TO RESPONDENTS

February, 2012

Dear Sir/Madam,

RE: REQUEST TO UNDERTAKE RESEARCH AT YOUR ESTABLISHMENT

I am a postgraduate student at the University of Nairobi pursuing a degree of Master of Business Administration. In order to fulfill the degree requirements, I am undertaking a management research project on “adoption of the internet as a growth strategy by small and medium sized tour operators in the tourism industry.”

I kindly request you to authorize me to conduct interviews in your establishment with your key staff to gather the required information. My supervisor and I assure you that this information will be treated in strict confidence and will be used purely for academic purposes and your name will not be mentioned in the report. A copy of the final project shall be availed to you upon request.

Your co-operation will be highly appreciated and thank you in advance.

Yours faithfully,

Annah Wamaitha,  
MBA Student,  
University of Nairobi.

Dr. John Yabs,  
Senior Lecturer (Project Supervisor),  
University of Nairobi.
APPENDIX II: QUESTIONNAIRE

Section A: General Information

1. Name of the Company .................................................................

2. Name of the interviewee (Optional) ...........................................

3. What is your designation in the department ..............................

4. How long have you worked in your current position ...............}

Section B: Company Information

1. When was the company started ...................................................

2. Number of employees in the years

   2009 .................................

   2010 .................................

   2011 .................................

3. Percentage turnover being spent on developing new products and marketing activities

   ...........................................................................................

   ...........................................................................................

4. Description of customers

   ...........................................................................................

   ...........................................................................................

Section C: Growth Strategies

1. In the past three years have you introduced any new services or made any significant improvements to those in service provided?  ( ) No  if ( ) Yes

   How many ..........................................................
2. Is innovation important for your establishment? If

( ) No. Why .................................................................

( ) Yes, How do you practice it?

.................................................................

During the past three years have there been big additions in your customers?

( ) No. Why? .................................................................

( ) Yes, How? .................................................................

3. What are the distribution channels for your services?

( ) Intermediary/Agent led channel    ( ) Company led channel

( ) Internet led channel             ( ) Partnering with other companies

( ) Worksite (social media) marketing ( ) Others ...........................................

4. Have you had any major changes in the distribution channels?

( ) No    ( ) Yes

5. Does your establishment supply to:

( ) A few customers only or

( ) Continuously aim for new customers

6. How do you search and target them?

( ) Through the internet               ( ) Tour operators abroad

( ) In meetings, conferences and exhibitions

( ) Ministry of tourism

( ) Others .................................................................
Section D: Influence of the Internet in Adoption of the Specific growth Strategy

1. What is the purpose of deploying internet to your establishment

( ) Brochures ( ) E-mail
( ) Information about the establishment’s service ( ) Interactive marketing
( ) Sales transactions ( ) Search for information
( ) Other ...........................................................................................................

2. Indicate whether the use of internet has enabled your establishment in development of new services in the below instances

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<thead>
<tr>
<th>Service</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
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<tbody>
<tr>
<td>Generating ideas</td>
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<td>Service launch</td>
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<td>Market research</td>
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<td>Business analysis</td>
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<td>Enhanced operational performance</td>
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<td>Information sharing</td>
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<td>Resource sharing</td>
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<td>Knowledge sharing</td>
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<td>Product development</td>
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<td>Product pricing</td>
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3. How does the internet support your organization in market development

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<th>Strongly disagree</th>
<th>Disagree</th>
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<th>Agree</th>
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<tr>
<td>Taking advantage of low cost advertising</td>
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<td>Quick and efficient expansion into new geographical markets</td>
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<td>Enhancement of internal and external communication</td>
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<td>Better understanding of the market</td>
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<td>Bringing new services to the market</td>
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<td>Develop more customized services</td>
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<td>Faster service delivery</td>
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<td>Enhanced competitiveness</td>
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<td>The internet has changed organization processes significantly</td>
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</table>
4. Indicate whether internet has enabled performance in your organization in following instances

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<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
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<td>The internet has dramatically increased productivity</td>
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<td>The internet has improved our position</td>
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<td>The internet has dramatically increased sales and distribution channel</td>
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<td>The internet has dramatically increased profitability</td>
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<td>The internet has enhanced communication between the organization and stakeholders</td>
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<td>The internet has assisted in exploring and approaching new customers and segments</td>
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<td>The internet has dramatically improved advertising channels</td>
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<td>The internet has caused changes in organization structure and decision making</td>
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<td>The internet has dramatically improved overall performance</td>
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</table>
5. Strategic use of internet

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<th>Agree</th>
<th>Strongly agree</th>
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<td>The internet has a strategic meaning for our company</td>
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<td>The organization uses the internet actively to reach strategic aims</td>
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Section E: Comments

1. In your opinion how can your firm grow?

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2. In your opinion does internet facilitate in growth of firm?

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3. Please share any additional comments?

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